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TASK FORCE ON GOVERNMENT OVERSIGHT

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The Department of Rehabilitation's

VANishing ACT



Agency stockpiles vans
intended for the disabled.

THURSDAY
MARCH 12, 1998

FINDINGS AND RECOMMENDATIONS

This is a report of an investigation undertaken by the Joint Legislative Staff Task Force on Government Oversight in response to a citizen complaint that dozens of new state vehicles were being stockpiled in a riverfront warehouse near downtown Sacramento.

In the spring of 1997, Ken Spencer, owner of the American Hockey Arena on Railroad Drive in Sacramento, observed numerous brand new full-sized vans and mini-vans streaming into an empty warehouse across the street from his business, near the Del Paso levee of the American River. He made inquiries at the warehouse and was told that the vehicles belonged to the State of California.

“After that, they closed the doors to the place and I never saw another person go in or come out,” Spencer said. When six months had passed and there were still no signs of activity, Spencer became concerned and mentioned the situation to a Task Force consultant.

\$860,000 WORTH OF VANS IN UNLOCKED WAREHOUSE

On January 6, 1998, Spencer and the consultant visited the warehouse, which was unguarded. An overhead door was found to be unlocked and the consultant easily gained access to the interior. As Spencer had predicted, there were literally dozens of new Ford vans and Dodge mini-vans lined up inside – 41 to be precise – uniformly covered with a layer of dust.

Documents inside the vehicles indicated that the California Department of Rehabilitation had purchased them between February 1995 and April 1997. With one exception, they showed no signs of ever having been put into use; indeed, they had no license plates. The Fords still had the dealer invoices pasted to the windows and the dealer tags on them.

Closer examination revealed that one of the Fords was three years old. Another Ford and three of the Caravans had been purchased in 1996. The remainder had been acquired in 1997.

Copies of state purchase orders were visible on the dashboards of several of the vehicles. Based on those documents, and others subsequently obtained from the Department of Rehabilitation, the Task Force determined there were more than \$862,000 worth of new vehicles sitting in an unlocked, unguarded warehouse in a high-crime area.

The premises remained unlocked during the entire time the Task Force was conducting its inquiry. When informed of this situation on March 10, the Department of Rehabilitation said it would investigate.

“The warehouse is, in fact, locked,” the Department reported to the Task Force on March 11. “The warehouse was checked last night by two staff and they found it secured and locked.” Within an hour of receiving this report, a Task Force consultant returned to the warehouse with Ken Spencer and the door was unlocked as usual.

The estimate of the vans' value is based upon the following figures:

\$410,120 = 20 1997 Ford Club Wagons, as per purchase order #45668.
82,348 = 4 1997 Ford Club Wagons, as per purchase order #45667.
18,972 = 1 1996 Ford Club Wagon, as per purchase order #39037.
18,661 = 1 1995 Ford Club Wagon, as per purchase order #33125.
34,000 = 1 Ford Club Wagon, lift-equipped. Estimate. Year uncertain.

\$564,101

\$234,135 = 11 1997 Dodge Grand Caravans, as per purchase order #45665.
64,701 = 3 1997 Dodge Grand Caravans, as per purchase order #43266.

\$298,836

Total vehicle cost: \$862,937

(During a subsequent visit to the warehouse on February 5, 1998, it was discovered that the only van bearing a license plate – the lift-equipped Ford – was gone. Another Ford was removed on February 25, 1998. At last report, the other 39 vehicles were still there.)

PURCHASED FOR THE DISABLED

The vans were bought by the Department of Rehabilitation ostensibly to be used by disabled individuals needing specialized transportation to begin or maintain productive work lives. Under the Department's van program, if a case worker certifies that a disabled client needs a specially-equipped vehicle -- one that has hand controls, for example, or a wheelchair lift – the Department can provide it at no cost if the client's financial condition permits.

In a letter to the Task Force, the Department of Rehabilitation stated:

“It is the [Department's] mission to provide necessary services to these individuals to enable them to acquire or maintain appropriate employment and to remove or minimize the barriers that prevent them from achieving that objective...In some cases, those services may include the purchase and/or modification of a van/automobile.”

The Department reported that it had purchased 151 vans through a “fleet purchase program” since 1993. In a subsequent letter, the Department revised that figure downward, saying that 142 vans had been purchased through the fleet program during the past five years.

That means 28% of the vans the Department has purchased through its fleet purchase program since 1993 are sitting unused in the warehouse.

Interviews with Department of Rehabilitation caseworkers and other rehab experts outside the Department revealed that it is extraordinarily difficult for disabled clients to obtain such vehicles, due mainly to cumbersome regulations and the restrictive way the Department interprets them. They also said it was very difficult to obtain the necessary mobility evaluations that are required before a client can be approved to receive a van.

A Task Force consultant made pretext calls to two Department of Rehabilitation offices in the Sacramento area, inquiring about the possibility of obtaining a van for a disabled relative. In both cases, the consultant was advised that if there was the slightest chance public transportation could be used, there was almost no way the Department would approve making a van available.

“We can’t just open the checkbook and give him a van because he doesn’t want to take the bus,” one counselor commented. “I have lots of clients in wheelchairs and they get around on the bus.”

Said another: “We’re not going to buy him a van just to improve his quality of life.”

A CASE IN POINT

Constance Capen is a disabled Bay Area psychotherapist who reported that she first began the process of trying to obtain a lift-equipped van more than 2 ½ years ago.

“What I had to go through was just mindlessly stupid,” Capen said.

After a series of delays and false starts, she said, the Department finally authorized her to receive a new Dodge Caravan in late November or early December of 1996. She said she was told it would take another two or three months until the van could be retrofitted with a lift and some driving controls. At the end of two months, she said, she called and was informed that someone “forgot to make a phone call” and the van she had been allocated was no longer available. In fact, she said, she was informed that there were no longer *any* new vans available.

“I don’t get angry very often but I really lost it. I was so enraged that they would pull that kind of thing on me,” she related. “They told me that they had been fortunate to find a used one and that I had to take that.” (At the time Capen was told the Department had no new vans, it had at least five in storage in Sacramento.)

Records show the Department bought a 1993 Plymouth Voyager with 28,240 miles on it from a Santa Rosa man for \$22,745. But when it was delivered, Capen said, it was unsuitable for her use. Among other things, it had no passenger seating. The Department returned the van to a retrofitter and had it outfitted for Capen’s use. She took possession of it in September or October of 1997, she said.

“With all the staff time and the retrofitting involved, it must have cost the Department \$60,000 by the time it was all done,” she said. “While I’m certainly grateful that I have the vehicle and my

counselor really bent over backwards to help me, the whole process was one of the most maddening experiences I've ever had. It's a crazy system and it doesn't serve people."

Ironically, records at the Department of Motor Vehicles say that Capen is the registered owner of one of the 1997 Dodge Caravans currently sitting in the warehouse on Railroad Drive. DMV records show she paid \$424 for a plate for the Caravan, but Capen said the license number DMV lists as belonging to the 1997 Caravan is actually the license plate that is on her 1993 Voyager.

"Quite honestly, I'm not even sure who is the owner of the van I am driving. Though I have asked several times, I've never been given any paperwork by the Department," she said.

In addition, the 1995 Ford Club Wagon was registered to a Visalia woman in February 1996 but, for some reason, it was never delivered to her. It was "sold" back to the Department in February 1998, and DMV records show the Department now owes \$1,069 in delinquent license plate fees and penalties. According to the Department, that van is now "reserved" for another client.

AN ONGOING PROBLEM

The stockpiling of vans for the disabled appears to be a situation that has been occurring for quite some time, and one that the Department apparently expects will continue into the future.

This is not the first time the Department of Rehabilitation has run into problems with this program. In the early 1980s, Department officials confirmed, there was a minor scandal when a newspaper revealed that the Department was storing vans in a field in the Yolo Causeway, where severe weather and rodent infestation wreaked havoc on the vehicles. That, they said, is the reason the vans are now stored in a warehouse.

In June 1997, the Department of Rehabilitation signed a five-year lease for the warehouse on Railroad Drive, paying \$1,360 a month in rent. (The first three years of the lease are non-cancelable; the remaining two years are optional.)

Notes found in a Department of General Services lease file suggest that, in the past, vans have been left in storage for up to a year before being placed into service. In the present case, it has been at least 11 months since the newest of the vans was purchased by the Department of Rehabilitation.

It is still not clear why the Department felt it necessary to buy additional vans last year, when it still had four vans from the 1996 fiscal year -- and one from the fiscal year before that -- still in storage. Judging from the fact only one of the vans purchased in 1997 has been moved out of the warehouse since then, it is obvious that they were not needed.

DEPARTMENT'S RESPONSE

In an interview with the Task Force, Margaret Lamb, deputy director of the Field Operations Division of the Department of Rehabilitation, said the Department has historically purchased vans in bulk and placed them in storage in order to have them on hand when a client is approved to receive one. She said the Department does not handle the acquisition of the vehicles; that is done by the Department of General Services, which issues bids proposals and makes the actual purchases.

In practice, Lamb said, it normally takes between six to eight months from the time the Department of Rehabilitation requests a purchase to the time the van is delivered. Stockpiling the vans, she said, ensures that the Department will have one on hand when a client is ready to receive one.

Lamb, who has been in charge of the Division of Field Operations for only a year, denied rumors that the Department over-bought vans at the end of the 1996-97 fiscal year to avoid having unspent money on hand, though she conceded “that may have occurred in the past.”

She said she did not know if volume purchasing really saved the Department any money because it was not something that had been analyzed since she had taken over the division.

The Department’s rationale might make sense if disabled clients were receiving vans on a timely basis. However, as was evident from interviews with clients and their counselors, most often that is not the case.

“It can take between one and two years, from the time you apply until the time the van is obtained,” said the director of a Central Valley Independent Living Center, which works with the disabled.

UNNECESSARY COSTS TO TAXPAYERS

This situation creates unnecessary costs to taxpayers in several ways:

1. Depreciation costs.

The vans have declined considerably in value since their purchase. Based on the Kelly Blue Book trade-in values for the vans, the vehicles are collectively worth \$101,400 less than when the Department bought them. That would negate most, if not all, of the savings that may have been achieved by purchasing them in volume.

2. Loss of warranty protection.

One of the vans – the 1995 Ford Club Wagon – is scheduled to go out of warranty next month without ever having been put on the road. A third of the warranty period for the majority of the vans is close to expiring. This means that the ultimate users of these vehicles, disabled persons trying to get back into the workplace, will have scant warranty protection left by the time they get them. Costs for repairs and labor will be the clients’ responsibility -- rather than the auto dealers’ -- far sooner than necessary.

An auto dealer contacted by the Task Force agreed to run warranty checks on the Ford vehicles through OASIS, the Ford Motor Company's database for warranty information. OASIS shows that the warranty start dates for the Club Wagons ranged between April 21, 1995, to June 27, 1997. It is not known how much of the warranty period for the Dodge Caravans has expired.

The dealer stated that purchasers can delay the start of warranty periods until vehicles are actually placed into service by making a written request to the auto maker, but the records of the Ford Motor Company, he said, showed no such request from the Department of Rehabilitation. Lamb said it was her understanding that the warranties didn't begin until the vehicles were placed in a client's name.

3. Storage costs.

Since the spring of 1997, the Department has paid more than \$11,500 to rent the storage area on Railroad Drive, but state lease files show that is only part of the costs that have been incurred by stockpiling these vehicles.

From 1995 to 1997, Department was leasing an adjacent warehouse in the same building for the same purpose, which cost a total of \$21,259. However, a bigger warehouse was needed because so many vans were piling up.

"The Department currently has 4,868 square feet at 1955 Railroad Blvd. where 25 standard vans are housed," the Department of Rehabilitation's Field Operations Division wrote the Department of General Services in 1996. "We now need space to store an additional 10 minivans. JB Company indicated they cannot expand our space or carve out a new 2,500 square feet out of the 9,000 they have."

4. State worker time

Interviews with neighboring businessmen revealed that state workers have spent considerable time keeping the batteries of the stored vehicles charged.

"Every couple of months, they come by and start them all up and let them run," said Craig Sauer, owner of C&C Paper Recycling Inc. "They open up all the roll-up doors to air the place out. It's pretty upsetting...they just sit in there. They've been doing it since 1994. They used to have the back part of the warehouse when they first came here but it got too small. And since there was only one way in or out, they had to take them out and drive them around the building to keep them charged up. All day long they'd be driving vans around the warehouse. I suspect that's why they got that bigger place. So they wouldn't have to get out and drive them."

During the period that the Task Force has been investigating this situation, state workers have gone to the warehouse on at least two occasions – once to count the vans, move some around, and jump-start those with dead batteries. Lamb said that workers are supposed to go to the warehouse once a month to check on the vehicles.

ADDITIONAL VEHICLE PURCHASES

In a letter to the Task Force on February 26, 1998, the Department acknowledged that in addition to the vans acquired through fleet purchasing, another 20 used vehicles were purchased for clients between 1995 and 1997, but the Department insisted that “virtually all of these were not vans.” However, an examination of the vehicle purchase orders revealed that 9 of the 20 were, in fact, vans that were purchased from used car dealers and private individuals, for a total cost of \$159,514.

While at least three of the nine used vans were already equipped for the disabled, four them were not. The equipment on the other two could not be determined. (One dealership insisted that a van the Department claimed to have bought from it was never owned or sold by the dealership.)

It is not clear why the Department would need to buy used vans at a time when it had new ones sitting unused. Lamb said that her review of those cases “shows that used van purchases are generally made to expedite delivery of the vehicle to the client.”

FIRE AND SECURITY ISSUES

The manner in which the vans are being stored is an apparent violation of fire safety regulations. According to the City of Sacramento’s Fire Prevention Unit, it is against the fire safety code to store vehicles with gasoline in their tanks inside an enclosed storage area for an extended period of time.

Finally, the lack of anything approaching security has put valuable public property at great risk of theft or vandalism. The warehouse in which the vans are stored is located in an area with a very high rate of auto thefts and burglaries, according to Sacramento Police Department statistics. Despite that, the building has been unlocked and easily accessible for at least three months, probably longer.

If there had been a break-in, it would probably have gone unnoticed for a long period of time. As noted above, warehouse inspections occur only once a month, if that frequently. Moreover, there is no alarm system on the warehouse. Notes in the state lease file show that the Department of Rehabilitation specifically informed the Department of General Services, which arranged for the storage area, that no alarm system was needed.

RECOMMENDATIONS

Based on the above, the Task Force recommends the following:

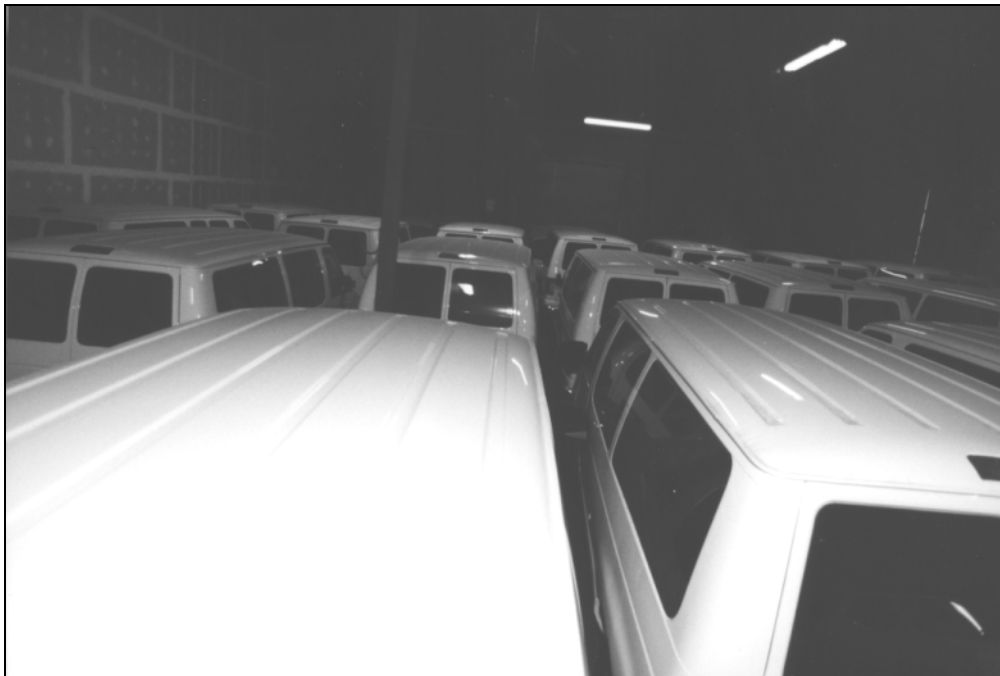
1. If it has not already done so, the Department should immediately secure the warehouse and either install an alarm system or hire a security guard to protect the vehicles, as they are extremely vulnerable to theft or vandalism.
2. The Department should discontinue its policy of making massive purchases of vans. Dealers interviewed said it would be more cost-effective to either (a) buy the vans on the open market on an as-needed basis or (b) enter into a fixed-price, long-term contract with a dealer to supply vans on an as-needed basis.

The dealers also questioned the Department's current practice of buying fully loaded and fully outfitted vans when considerable interior modifications are often necessary in order to retrofit them to accept wheelchair ramps or install chair tie-downs. The dealers said vans can be ordered from the factory virtually empty, at considerable cost savings.

3. Streamline the process and revise the regulations which are preventing vehicles from getting into the hands of those who need them.



Some of the Dodge Caravans lined up in the unlocked warehouse on Railroad Avenue.



The Ford Club Wagons – some more than two years old – photographed during a visit to the warehouse in January 1998.